

2. Trial Balance

Notes



Trial Balance and Reconciliation of Cash

Trial balance:

- ♦ used to confirm that accounts receivable, program expenditures, and cash balance equal amount of funds authorized and should be performed monthly.

Cash reconciliation:

- ♦ confirmation that cash amount in accounting records agrees with bank statements and should be performed on receipt of bank statement.

13

3. Reconciliation of Cash



Reconciliation of Cash

By reconciling cash on a timely basis, the school can make adjusting entries to account for:

- ♦ bank service charges,
- ♦ non-sufficient funds (NSF) checks,
- ♦ debit and/or credit memoranda, and
- ♦ error corrections.

14



Reconciliation of Cash (cont'd)

Staff should be trained to detect a variety of fiscal problems, including:

- ♦ delays in deposits,
- ♦ checks outstanding for long periods of time,
- ♦ irregularities in transfers and adjustments, and
- ♦ deviations on cancelled checks (payee, signature, or endorsement).

15

4. Reconciliation of Federal Funds



Reconciliation of Federal Funds

Reconciliation process should include a check of expenditure records reported in:

- ♦ the trial balance reports,
- ♦ Grant Administration and Payment System (GAPS),
- ♦ FISAP,
- ♦ Federal Direct Loan reconciliation reports, and
- ♦ audit reports.

16

5. Monthly Direct Loan Reconciliations

Notes



Direct Loan Reconciliation

Direct Loan schools must reconcile two types of transactions with the Loan Origination Center (LOC):

- ♦ cash transactions (involving cash drawdowns and the return of excess cash) and
- ♦ loan transactions that have affected cash disbursements and adjustments.

17

6. Electronic Data Processing Controls

- Electronic data processing (EDP) controls are controls that ensure the integrity and reliability of data.



Electronic Data Processing (EDP) Controls

EDP controls encompass:


- ♦ operating procedures,
- ♦ software security,
- ♦ data access,
- ♦ program modification,
- ♦ segregation of computer security duties and responsibilities,
- ♦ back-up and recovery plans, and
- ♦ physical computer security.

18

- See Section 5.4 of *The Blue Book* for a listing of specific EDP security controls.

7. Other Checks and Balances

Notes



Other Checks and Balances

Schools can build other checks and balances into their accounting system, including:

- ◆ input controls
 - ▲ record of the number and dollar amount of entries
- ◆ subsidiary-records reconciliation
 - ▲ confirmation that there are records to support account totals
- ◆ clear audit trail
 - ▲ complete record of all transactions entered into the system

19

- One of the purposes of an audit is to confirm that all reconciliations have been performed.
- A sample format for cash reconciliation appears in Chapter 5 of *The Blue Book*.

Case Study Exercise 2: Trial Balance

Your task, using the Federal Pell Grant data (\$100,000) and FFEL data (\$1,000,000 in student loan funds and \$333 in investment income) is to complete the trial balance for Knowledge College's Title IV programs. The worksheet appears on the next page. The answers appear on page 25.

TRIAL BALANCE FOR TITLE IV PROGRAMS

Balance as of _____

Account Names

Debit

Credit

Federal Pell Grant Program

Cash, Federal Pell Grants	xxxxx	
Transfer from GAPS		_____
Federal Reimbursement of Pell Administrative Cost Allowance		xxxxx
Student Grants Paid	_____	
Pell Administrative Cost Allowance Paid to Institution		xxxxx
Total, Federal Pell Grant Program	_____	_____

Federal Family Education Loan (FFEL) Program

Cash, FFEL Account	_____	
Cash Returned to Lenders		xxxxx
Cash Disbursed to Borrowers		_____
Cash, Interest Earnings	_____	
FFEL Trust Account		xxxxx
Interest Earnings from Investment of FFEL Funds		_____
Total, Federal Family Education Loan (FFEL) Program	_____	_____

Prepared by _____

Date _____

Approved by _____

Date _____

F. LINKING THE INSTITUTION'S ACCOUNTING SYSTEM TO INTERNAL AND EXTERNAL REPORTING REQUIREMENTS

Notes

1. Internal Requests for Information



Internal Requests For Information

Examples of information other school staff might request:

- ♦ whether all Title IV aid has been disbursed for eligible students,
- ♦ institutional costs for Title IV programs,
- ♦ the financial impact of new regulations or requirements,
- ♦ amount of student reliance on loans, and
- ♦ enrollment and financial status of students.

20

• Group Discussion

The president of Knowledge College is eager to implement an FWS program and wants to know how much the program will cost the college. Although funds have not been requested, the president is asking you to calculate the cost to the school if it receives \$100,000 in federal funding.

2. Linkages for External Reporting



Linking Accounting System to Title IV Reporting

Accounting structure is critical to reporting on Title IV programs, including the following:

- ♦ Federal Pell Grant reporting through ED's Recipient Financial Management System (RFMS),
- ♦ monthly reconciliation in the Direct Loan Program,
- ♦ overpayment and Federal Perkins Loan data reporting to National Student Loan Data System (NSLDS),

21



Linking Accounting System to Title IV Reporting (cont'd)

- ♦ applying for and reporting on the use of campus-based funds on the Fiscal Operations Report and Application to Participate (FISAP),
- ♦ annual compliance and financial audits, and
- ♦ possible program reviews.

22

Case Study Exercise 3: External Reporting

Your task is to ensure that Knowledge College's chart of accounts will facilitate the completion of the FISAP by assigning the appropriate account number to the requested items in the FISAP. The worksheet appears on the next page and the answers appear on page 26.

EXTERNAL REPORTING

Account	FISAP Line Item
_ - _	Part II, Section G #27: Total Federal Pell Grant Expenditures for the 1998-1999 Award Year
_ - _	Part V, Section C #11: Total Earned Compensation for FWS Program
_ - _	a. On-Campus Expenditures
_ - _	b. Off-Campus Expenditures at Public or Private Non-Profit Agencies
_ - _	c. Off-Campus Expenditures in the Private For-Profit Sector
_ - _	#12: Total Institutional Share of Earned Compensation
_ - _	
_ - _	
_ - _	
_ - _	

SUMMARY CHART OF ACCOUNTS EXERCISE

Federal Pell Grant Program

1 - 1 Cash, Federal Pell Grants

Debit this account for:

- Transfers from GAPS accounts

Credit this account for:

- Payments to students
- Recoveries from recipients

1 - 2 Accounts Receivable, GAPS

Debit this account for:

- Awards disbursed to students

Credit this account for:

- Cash received from GAPS

6 - 1 Transfer from GAPS - Federal Pell Grants for Students

Debit this account for:

- Total amount of cash transferred from GAPS (fiscal year)

Credit this account for:

- Cash transferred from GAPS (current needs)

6 - 2 Federal Reimbursement of Pell Grant ACA

Debit this account for:

- Total ACA funds transferred (fiscal year)

Credit this account for:

- ACA payments received

7 - 1 Student Grants Paid - Federal Pell Grant

Debit this account for:

- Grant payments to students

Credit this account for:

- Recoveries from recipients
- Total grant payments (fiscal year)

7 - 2 ACA Paid to Institution

Debit this account for:

- ACA paid to institution

Credit this account for:

- Closing entry (fiscal year)

SUMMARY CHART OF ACCOUNTS EXERCISE (CONT'D)

Federal Family Education Loan (FFEL) Program

1 - 1 Cash FFEL Account

Debit this account for:

- Cash received from lenders

1 - 2 **Cash Returned to Lenders**

Credit this account for:

- Cash returned to lenders

1 - 3 **Cash Disbursed to Borrowers**

Credit this account for:

- Cash disbursed to borrowers

1 - 4 **Cash Interest Earnings**

Debit this account for:

- Interest earned

Credit this account for:

- Interest earned - transferred to institution

3 - 1 FFEL Trust Account

Debit this account for:

- Funds disbursed to borrowers

Credit this account for:

- Funds received from lenders

6 - 1 **Interest Earnings from Investment of FFEL Funds**

Debit this account for:

- Cash earnings transferred to institution

Credit this account for:

- Interest earned

SUMMARY CHART OF ACCOUNTS EXERCISE (CONT'D)

Federal Work-Study Program

1 - 1 Cash, Federal Work-Study

Debit this account for:

- **Federal contributions from GAPS account**

Credit this account for:

- **Federal share of on-campus compensation**

1 - 2 Accounts Receivable, Off-Campus Entities

Debit this account for:

- **Amounts provided by off-campus employers to pay nonfederal share**

Credit this account for:

- **Cash paid by off-campus employers**

3 - 1 Federal Income Taxes Withheld

3 - 2 Social Security Taxes Withheld

3 - 3 State Income Taxes Withheld

3 - 4 Other Withholding

Debit this account for:

- **Taxes paid to appropriate agency**

Credit this account for:

- **Amounts withheld from students' pay for payment of taxes**

3 - 5 Accrued Wages Payable

3 - 6 Employer's Payroll Taxes Payable

6 - 1 Transfer from GAPS - Federal Work-Study

6 - 2 Institution's Cash Contribution

6 - 3 Institution's Non-Cash Contribution (Memo Account)

TRIAL BALANCE FOR TITLE IV PROGRAMS

Balance as of _____

<i>Account Names</i>	<i>Debit</i>	<i>Credit</i>
Federal Pell Grant Program		
Cash, Federal Pell Grants	xxxxx	
Transfer from GAPS		100,000
Federal Reimbursement of Pell Administrative Cost Allowance		xxxxx
Student Grants Paid	100,000	
Pell Administrative Cost Allowance Paid to Institution		xxxxx
Total, Federal Pell Grant Program	100,000	100,000

Federal Family Education Loan (FFEL) Program

Cash, FFEL Account	1,000,000	
Cash Returned to Lenders		xxxxx
Cash Disbursed to Borrowers		1,000,000
Cash, Interest Earnings	333	
FFEL Trust Account		xxxxx
Interest Earnings from Investment of FFEL Funds		333
Total, Federal Family Education Loan (FFEL) Program	1,000,333	1,000,333

Prepared by _____

Date _____

Approved by _____

Date _____

EXTERNAL REPORTING

Account

FISAP Line Item

7 - 1

Part II, Section G

#27: Total Federal Pell Grant Expenditures for the 1998-1999
Award Year

7 - 1

Part V, Section C

#11: Total Earned Compensation for FWS Program

7 - 3

- a. On-Campus Expenditures
- b. Off-Campus Expenditures at Public or Private Non-Profit
Agencies
- c. Off-Campus Expenditures in the Private For-Profit
Sector

7 - 4

6 - 2

#12: Total Institutional Share of Earned Compensation

6 - 3

6 - 4

6 - 5